**Transcript of Floor Statement by Senate Budget Committee Chairman Kent Conrad on the Conrad-Feingold-Domenici Bipartisan Budget Agreement June 20, 2002**

Madam President, I thank the Senator from Vermont for his very kind remarks. This is perhaps one of the most challenging years we face dealing with the budget of the United States. And that's why moments ago I sent a modified amendment to the desk. And, Madam President, let me just outline what is included in that amendment and why I think it is so critically important that we adopt it today.

Madam President, the Conrad-Feingold amendment sets discretionary spending limits for 2003 and 2004. It also extends the 60-vote points of order protecting Social Security, enforcing discretionary spending caps, and requiring fiscal responsibility. And it extends for five years the pay-go and other budget enforcement provisions that we have that otherwise expire on September 30.

Madam President, let me discuss the level of spending that is covered by this amendment. For 2003 it would provide a discretionary spending limit of $768.1 billion. Madam President, that is precisely the same as the President's budget for 2003. The President sent us a discretionary spending level of $768 billion. I have talked to Mr. Daniels this morning, the head of the Office of Management and Budget. He feels this number is too high, too high by some $9 billion. The reason -- even though that's the President's number, even though that is the number that the President sent us, we have not adopted the President's policy because the President has proposed switching from mandatory spending to discretionary spending certain accounts. Those are the retirement requirements of people in the federal government. In other words, he has proposed switching the retirement accounts that come out of the budgets of the various agencies from mandatory spending to discretionary spending. Obviously that would make discretionary spending more by $9 billion. That's included in the President's proposal. We have not adopted that part of his proposal, so their argument is, that would shift back to the mandatory side of the equation and reduce the $768 billion by $9 billion. That's true. They're correct about that.

It is also true that their budget needs to be adjusted in a number of ways, I believe, in order to secure passage in the Congress. The President has cut transportation funding, highway construction, bridge construction by 27%, by $9 billion. We've proposed adding back about two-thirds of that, about $6 billion. That money has got to come from somewhere. The President has proposed cutting law enforcement by over $1 billion. I don't think that's realistic at a time we face terrorist threats to the United States. The President has proposed a smaller amount for education than is even provided for in his own No Child Left Behind legislation. Madam President, I think that's going to have to be acknowledged and dealt with before we finish our work. We're not going to cut that program of No Child Left Behind that the President talked about all across the country. And there are other provisions as well that are going to have to be addressed. So we're going to need that $9 billion to meet the needs of the country.

And, again, it still leaves us with an overall amount that is precisely what the President sent us in his own budget. Madam President, in addition to that, there is a second year of budget caps, of restrictions on what can be spent, and that amount is $786 billion. That's about a 2%

increase over this year. That is a very sharp restriction on spending, especially given the fact that we are under attack, especially given the fact that, no doubt, the President will be asking for more for defense, more for homeland security. But we have agreed to a cap this year that is exactly the number the President sent us in his budget, and we have agreed on a cap for spending for next year at $786 billion, about a 2% increase over where we are now.

In addition, the amendment that I have sent to the desk limits advance appropriations. This was raised as an issue by members on the other side of the aisle. They wanted a restriction on advance appropriations, so we included that in this bill.

And, Madam President, we have included another request from the other side of the aisle to establish a one-year defense fire wall. What that means is, the money that is allocated for defense would go for defense, could not be used for other purposes. What we have provided for in this amendment establishes a supermajority point of order in the Senate to enforce a defense/nondefense fire wall in 2003. Madam President, again, this was in response to requests from members on the other side of the aisle.

Madam President, here is the circumstance that we face, that I think we need to keep in mind as we consider this amendment. Last year, the Congressional Budget Office told us we could expect some $5.6 trillion of budget surpluses over the next decade. That's what we were told just a year ago, nearly $6 trillion of surpluses. Some of us questioned that. Some of us said, don't rely on a ten-year forecast. There's too much risk associated with that. But others said, no, there will even be more money. That's what we were told, and told repeatedly.

Madam President, now we get to June of this year and look at the difference a year makes. Not only do we not see any surpluses for the next decade, we see deficits. We see deficits of some $600 billion over the next ten years.

Madam President, where did the money go? Well, this chart shows our analysis of what happened to those surpluses. And the biggest chunk went for the tax cuts that were enacted last year and the additional tax cuts passed this year. 43% of the disappearance of the surplus went to tax cuts. 21% went to increased spending as a result of the attack on this country, increased defense spending, increased homeland security spending. That's where all of the increase has gone. 21% are from economic changes. That is the economic slowdown that occurred. That's where 21% of the disappearance of the surplus occurred. And the last 14% are technical changes, largely those are underestimations of the cost of Medicare and Medicaid. So that's where the money went, primarily to tax cuts. The next biggest is increased spending as a result of the attack on the country. The next biggest reason was the economic slowdown and actually those two are equal. And the final and smallest reason is underestimations of the cost of Medicare and Medicaid.

Madam President, that's where we are. And what it tells us, if we look over an extended period of time, a 20-year period, going back to 1992 when we were in deep deficit and when the occupant of the Chair's husband came in as President of the United States and fashioned a five-year plan in 1993 that was very controversial to raise revenue and cut spending, we can see that plan worked. Each and every year we were pulling ourselves out of deficit under that plan.

And in 1997 we had a bipartisan plan that finished the job, and as a result we emerged from deficit. We stopped using Social Security funds for other purposes. And we were running surpluses, non-trust fund surpluses for three years.

Then last year we had the triple-whammy, the tax cut that was too large, the attack on this country and the economic slowdown. And we can see now that we are headed for deficits for the entire next decade. That is, Social Security money being taken to pay for the tax cuts, being taken to pay for other things. In fact, Madam President, we now estimate some $2 trillion will be taken from Social Security over the next decade to pay for the President's tax cuts and other spending initiatives.

Madam President, all of that matters, and it matters a lot because of where we're headed. The baby-boom generation starts to retire in just six years. Hard to believe, but that's the reality. The leading edge of the baby-boom generation starts to retire in six years. And what that tells us is those surpluses in the trust funds that have helped us offset these deep deficits are going to evaporate. And in 2016, the Medicare Trust Fund is going to turn cash-negative. And in 2017, the Social Security Trust Fund is going to turn cash-negative. And then it's going to be like falling off a cliff. This is a demographic time bomb that we're facing as a society. It is unlike anything we've ever faced before, because always in our history the succeeding generation has been much larger than the generation retiring.

Madam President, in very rapid-fire order, the number of people who are eligible for Social Security and Medicare are going to double. We are headed for a circumstance in which there will only be two people working for every retiree. Now, if that doesn't sober us, if that does not inform our actions here, I don't know what it will take.

And, Madam President, the first thing we need to do is get these budget spending caps in place for next year and the year thereafter, and couple that with the budget disciplines that give us the chance to fend off ideas for greater spending and for more tax cuts that aren't paid for. Madam President, yes, we can have spending initiatives. They've got to be paid for. We can have additional tax cuts, but they have to be paid for. Otherwise we're going to dig this hole deeper and deeper and deeper.

Madam President, there are real consequences to digging that hole deeper, and, Mr. Crippen, the head of the Congressional Budget Office, told us that when he appeared before the Senate Budget Committee. He said, in response to a question from me, "Put more starkly, Mr. Chairman, the extremes of what will be required to address our retirement are these: we'll have to increase borrowing by very large, likely unsustainable amounts; raise taxes to 30% of GDP, obviously unprecedented in our history; or eliminate most of the rest of the government as we know it. That's the dilemma that faces us in the long run, Mr. Chairman, and these next ten years will only be the beginning."

Madam President, I don't know how to say this with more force or more persuasiveness, but we're coming to another moment of truth on this journey to our economic future. Some will rise on the floor and say, well, this spending amount is too much, that $768 billion is $9 billion more than the President proposed, even though the $768 billion number is precisely the number the President sent us. Some will say, well, we ought to wait. Some will say that there's some other reason to be opposed.

Madam President, the moment of truth -- another moment of truth is coming very soon. And the question is are we going to have the budget disciplines that otherwise are phased out at the end of September? Are we going to have those to discipline the process as we proceed this year? Are we going to have a budget number that can inform the appropriations process as we proceed, a budget number I again say that is identical to the budget number the President sent us, and I am swift to acknowledge, we've adopted his number but not his policy. It is absolutely correct that he wanted to switch $9 billion from mandatory spending into discretionary spending. And when we don't do that, that allows us to use that $9 billion in a way different from the way that he proposed.

Madam President, I say to my colleagues, do you really want to adopt a 27% cut in highway and bridge construction that'll put 350,000 people out of work in this country? I don't think that's the will of the Congress or the will of the American people. We've proposed a reduction from what was spent last year, but not as big a reduction as the President has proposed. And are we really going to cut the COPS program by over $1 billion when we've got a terrorist threat to this country. Are we really going to take police off the street? I don't think so. And are we really going to cut the President's signature education program, No Child Left Behind? I don't think so. Those are the fundamental issues that are before us now. And I would emphasize to my colleagues that not only is this a spending cap for this year at the level the President proposed in his budget but in addition to that, it is a spending cap for next year of $786 billion. That's an increase of just over 2%. That is a very tight fiscal constraint.

Madam President, I'm ready to take the medicine to get us back on a course to fiscal responsibility. And I believe most of my colleagues are as well. This amendment is the product of weeks of negotiation between Republicans and Democrats. And as a good faith effort to capture in an amendment the positions of Democrats and Republicans on what should be contained in the budget for this year and next, what the limits should be on spending for this year and next, what should be the budget disciplines that are continued so that we have a way of enforcing fiscal restraint, and it contains a one-year defense firewall in the United States Senate, something requested by members on the other side.

Madam President, for those of us who believe it is critically important to have a budget process in the Senate, for those of us who believe it's critically important to have budget disciplines in place, this is our opportunity. This is our chance. It may not come again. And I would urge my colleagues to very carefully consider their votes on this measure. This should not be a Republican vote or a Democratic vote. This should be a vote for the country. This should be a vote for the United States Senate. This should be a vote that sends a signal that we are serious about reestablishing fiscal discipline. This is a vote that should send a signal that fiscal discipline matters to the economy of this country. This should be a signal to the markets that this Congress is serious about fiscal responsibility. And this should be a signal that while the President has asked for the second biggest increase in our debt in our nation's history, that all of us are committed to getting back on track towards a course of reducing the debt of the United States, especially in light of the coming retirement of the baby-boom generation. Madam

President, I thank the chair and yield the floor.